

1 KEKER & VAN NEST LLP
ROBERT A. VAN NEST - # 84065
2 rvannest@kvn.com
CHRISTA M. ANDERSON - # 184325
3 canderson@kvn.com
DANIEL PURCELL - # 191424
4 dpurcell@kvn.com
633 Battery Street
5 San Francisco, CA 94111-1809
Telephone: (415) 391-5400
6 Facsimile: (415) 397-7188

7 KING & SPALDING LLP
BRUCE W. BABER (pro hac vice)
8 bbaber@kslaw.com
1185 Avenue of the Americas
9 New York, NY 10036
Telephone: (212) 556-2100
10 Facsimile: (212) 556-2222

11 Attorneys for Defendant
GOOGLE INC.

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

15 ORACLE AMERICA, INC.,

16 Plaintiffs,

17 v.

18 GOOGLE INC.,

19 Defendant.
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Case No. CV 10-03561 WHA

**GOOGLE'S MEMORANDUM
REGARDING LACHES**

Dept. Courtroom 8, 19th Fl.
Judge: Hon. William Alsup

1 In its July 31, 2015 Second Case Management Order, ECF No. 1277, the Court requested
2 that the parties brief the issue of whether laches could bar Oracle from recovering Google's
3 profits attributable to the alleged infringement under 17 U.S.C. § 504(b). The answer is "yes."
4 Laches can bar Oracle from recovering Google's profits or obtaining other equitable relief, such
5 as an injunction. The Supreme Court recently held, in *Petrella v. Metro-Goldwyn-Mayer, Inc.*,
6 134 S. Ct. 1962 (2014), that disgorgement is an equitable remedy. Thus, laches can both bar a
7 disgorgement claim at the outset of the case and limit the relief available at the remedy stage. *Id.*

8 In *Petrella*, the Court confirmed that "disgorgement of unjust gains" is "equitable relief,"
9 *id.* at 1978, and that laches may bar or limit all forms of equitable relief, including disgorgement
10 of profits under Section 504(b). *Id.* at 1977-78. The Court also ruled that "a plaintiff's delay can
11 *always* be brought to bear at the remedial stage, in determining appropriate injunctive relief, and
12 in assessing the 'profits of the infringer attributable to the infringement.'" *Id.* at 1967 (quoting 17
13 U.S.C. § 504(b) (internal alterations omitted) (emphasis added)).

14 **I. ACTUAL DAMAGES AND DISGORGEMENT OF WRONGFUL PROFITS ARE**
15 **DIFFERENT REMEDIES WITH DIFFERENT PURPOSES.**

16 Section 504(b) of the Copyright Act provides for "two distinct monetary remedies—actual
17 damages and recovery of wrongful profits." *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d
18 700, 707-08 (9th Cir. 2004). The plain language of the statute indicates that the two remedies are
19 different and do not overlap. Section 504(b) states: "The copyright owner is entitled to recover
20 the actual damages suffered by him or her as a result of the infringement, *and* any profits of the
21 infringer that are attributable to the infringement *and are not taken into account in computing*
22 *the actual damages.*" (Emphasis added). "Actual damages" compensate the copyright owner for
23 the loss in the value of the copyright, and can, when appropriate, be measured by the value of a
24 hypothetical license to the copyright or the copyright owner's lost profits. *See Polar Bear*, 384
25 F.3d at 708. "Profits of the infringer attributable to the infringement," on the other hand,
26 represent the infringer's "unjust gains" from use of the copyrighted work. *Petrella*, 134 S. Ct. at
27 1967, 1978; *see also Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399-400 (1940)
28 (discussing equitable nature of a claim for infringer's profits).

Oracle seeks both actual damages and disgorgement of Google’s profits attributable to the alleged infringement. ECF No. 36 at 10-11, ¶ 47 and ¶ D; ECF No. 1288-1 at 7, ¶ C. Oracle’s damages expert opined in early 2012 that Oracle was entitled to actual damages of between \$35 and \$136 million, and, separately, disgorgement of \$824 million of Google’s profits for alleged infringement through the end of 2011. ECF No. 785. Oracle’s claim for actual damages is legal in nature, and laches “cannot be invoked” to bar alleged damages claimed within the three-year limitations period. *Petrella*, 134 S. Ct. at 1967. But Oracle’s claim for disgorgement is equitable in nature, and laches can bar that relief entirely or limit it at the remedial stage. *Id.* at 1967.

II. DISGORGEMENT OF PROFITS IS AN EQUITABLE REMEDY, AND THUS CAN BE BARRED IN WHOLE OR IN PART BY LACHES.

“Disgorgement of improper profits” is “traditionally considered an equitable remedy.” *Tull v. United States*, 481 U.S. 412, 424 (1987); *see also Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 352 (1998) (noting that “we have characterized as equitable . . . actions for disgorgement of improper profits”); *Datatech Enters. LLC v. FF Magnat Ltd.*, No. C 12-04500 CRB, 2012 WL 4068624, at *5 (N.D. Cal. Sept. 14, 2012) (“[D]isgorgement of profits . . . is a classic equitable remedy.”). A claim for disgorgement is restitutionary—and thus equitable—because it seeks to return to the plaintiff the defendant’s allegedly unjust or improper gains. *See Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 570 (1990); *Petrella*, 134 S. Ct. at 1967 n.1. “That the [Copyright Act] explicitly provides for such a remedy does not strip it of its equitable character.” *Datatech*, 2012 WL 4068624 at *5; *accord* 4 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”) § 14.03[E], at 14-64 (2014).

In *Petrella*, the Supreme Court reiterated that a claim for disgorgement of an alleged copyright infringer’s profits under Section 504(b) of the Copyright Act was an equitable claim, and, therefore, could be barred in whole or in part by the equitable defense of laches. 134 S. Ct. at 1967 n.1, 1977-78. Plaintiff Paula Petrella claimed that defendant MGM’s iconic movie *Raging Bull* infringed her copyrights in a related screenplay. *Id.* at 1970-71. Plaintiff sought actual damages, disgorgement of MGM’s profits, and an injunction against further infringement. *Id.* at 1968, 1978. The district court granted MGM’s motion for summary judgment based on

1 laches and denied plaintiff any form of relief, and the Ninth Circuit affirmed. *Id.* at 1972-73.

2 The Supreme Court reversed, holding that laches “cannot be invoked to preclude
3 adjudication of a claim for **damages** brought within the three-year window” of Section 504(b).
4 *Id.* at 1967 (emphasis added). But the Court also clarified that laches *is* available as a defense to
5 claims for **equitable relief**. *Id.* at 1978. In delineating the scope of the laches defense, the Court
6 distinguished between the two types of monetary relief—actual damages and profits—available
7 under Section 504(b) of the Copyright Act. *Id.* at 1967-68. The Court explained that, “[l]ike
8 other restitutional remedies, recovery of profits is not easily characterized as legal or equitable,”
9 but that “[g]iven the protean character of the profits-recovery remedy, we regard as appropriate
10 its treatment as equitable in this case.” *Id.* at 1967 n.1 (emphasis added) (internal quotations and
11 citations omitted). Thus, because the profits-recovery remedy is equitable in nature, the Court
12 ruled that laches can in “extraordinary circumstances” bar that relief completely at the outset of
13 the case, and “can always be brought to bear at the remedial stage . . . in assessing the ‘profits of
14 the infringer . . . attributable to the infringement.’” *Id.* at 1966-67 (quoting 17 U.S.C. § 504(b)).
15 The Court ultimately found that the facts in *Petrella* did not present the type of extraordinary
16 circumstances that could bar a disgorgement claim completely, though it stated that “[s]hould
17 *Petrella* ultimately prevail on the merits, the District Court, in determining appropriate injunctive
18 relief and assessing profits, may take account of her delay in commencing suit.” *Id.* at 1978.

19 As commentators and the lower courts have recognized, *Petrella* “place[d] recovery of
20 profits squarely on the equitable side of the ledger.” 3 Nimmer, § 12.06[B][3][d][i], at 12-160.4;
21 *see also Lambert Corp. v. LBJC Inc.* No. 2:13-CV-00778-CAS, 2014 WL 2737913, at *5 (C.D.
22 Cal. June 16, 2014) (noting that, under *Petrella*, laches can be brought to bear in assessing the
23 profits of the infringer). Before *Petrella*, the Ninth Circuit suggested in dicta in a case arising
24 under the 1909 Copyright Act that a claim for accounting of profits was legal, not equitable. *See*
25 *Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1163 (9th Cir.
26 1977) (remanding for an assessment of profits by the court rather than a jury), *superseded by*
27 *statute* in 17 U.S.C. § 504(b). But the *Krofft* dicta has now been definitively rebuked by the
28 Supreme Court’s conclusion in *Petrella* that an accounting of profits is an equitable remedy.

Oracle, like the plaintiff *Petrella*, seeks disgorgement of profits attributable to the alleged infringement (in addition to a permanent injunction and destruction of all copies of Android). ECF No. 36 at 10-11, ¶ 47 & ¶ D; ECF No. 1288-1 at 5-6. That is an equitable remedy, and therefore laches is available as a defense in whole or in part. *Petrella*, 134 S. Ct. at 1967.

III. LACHES CAN BE APPLIED TO BAR ORACLE’S DISGORGEMENT CLAIM—AND THE OTHER EQUITABLE RELIEF IT SEEKS—IN WHOLE OR IN PART.

Laches requires Google to show by a preponderance of the evidence that (1) Sun/Oracle delayed in filing a lawsuit for an unreasonably long and inexcusable period of time; and (2) Google has been or will be prejudiced due to Sun/Oracle’s delay. *See Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 951 (9th Cir. 2001). Both requirements are met here.

As early as September 2005, Sun knew that Google intended to invest a significant amount of resources into building a mobile platform supporting the Java language and APIs. *See* TX 617 (September 19, 2005 email from Andy Rubin at Google to Leo Cizek at Sun stating, “If Sun doesn’t want to partner with us to support this initiative, we are fine releasing our work and not calling it Java.”). In November 2007, Google publicly released the Android Software Development Kit (“SDK”) as an open-source platform, which prompted Sun’s CEO to proclaim that Google had “just strapped another set of rockets to the [Java] community’s momentum.” TX 2352. And in June 2009, after Oracle announced its acquisition of Sun, Oracle’s then-CEO Larry Ellison publicly praised Google at the largest Java developer conference in the world, stating that Oracle was “flattered by Android” and expected to “see lots of Java devices” “from our friends at Google.” TX 2939. Throughout this period, Google continued to invest significant amounts of time, money, and goodwill into Android by hiring engineers, creating Android applications, working with partners to bring Android phones to market, and then improving Android by releasing new versions and expanding it to new products. *See* ECF No. 989 at 1715:2-1717:25.

Sun/Oracle’s delay presents the type of “extraordinary circumstances” that the *Petrella* Court stated could bar entirely a claim for equitable relief. Despite having full knowledge of Google’s use of the structure, sequence, and organization (“SSO”) of the 37 Java API packages, Sun/Oracle not only failed to assert an infringement claim, it openly applauded and encouraged

1 Google's use of the SSO for years. It was not until August 2010, nearly five years after learning
2 of Android, and almost three years after Google announced Android and released the SDK, that
3 Sun/Oracle belatedly sued Google, claiming that Android infringed its copyrights. Sun/Oracle's
4 conduct was unreasonable and inexcusable, and prejudicial to Google. Oracle should not benefit
5 from that delay. *See Danjaq*, 263 F.3d at 951 (“[I]t is inequitable for the owner of a copyright,
6 with full notice of an intended infringement, to stand inactive while the proposed infringer spends
7 large sums of money in its exploitation, and to intervene only when his speculation has proved a
8 success.”) (quoting *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916) (Hand, J.)).

9 Though the *Petrella* Court declined to bar entirely the plaintiff's long-delayed equitable
10 claim in that case, it cited with approval two lower-court copyright cases where laches was
11 applied to periods of delay significantly shorter than Sun/Oracle's delay in this case. 134 S. Ct. at
12 1978 (citing *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (6th Cir. 2007) (eighteen
13 month delay), and *New Era Publ'n Int'l v. Hentry Holt & Co.*, 873 F.2d 576, 584-85 (2d Cir.
14 1989) (two-year delay)). In *Chirco*, the Sixth Circuit barred the plaintiff from seeking destruction
15 of houses built using an allegedly infringing architectural design because doing so would “work
16 an *unjust* hardship upon the defendants or upon innocent third parties.” 474 F.3d at 236
17 (emphasis in original). Similarly, an injunction or destruction of Android phones would be an
18 unjust hardship on innocent third-party purchasers, handset manufacturers, carriers, and others
19 members of the Android community. And disgorgement of hundreds of millions of dollars would
20 be an unjust hardship on Google in light of its continued investment in new Android versions and
21 products and Sun/Oracle's repeated instances of public encouragement of Android.

22 Even if Sun/Oracle's conduct did not meet the “extraordinary circumstances” standard—
23 which it does—laches still would be relevant to the equitable relief Oracle seeks. “[A] plaintiff's
24 delay can *always* be brought to bear at the remedial stage, in determining appropriate injunctive
25 relief, and in assessing the ‘profits of the infringer . . . attributable to the infringement.’” *Petrella*,
26 134 S. Ct. at 1967 (quoting 17 U.S.C. § 504(b) (internal alterations omitted) (emphasis added)).
27 Thus, for these reasons, the Court should defer ruling on the merits of Google's laches defense
28 until after it has heard all of the evidence at trial, as it previously indicated. ECF No. 1277 at 2.

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KEKER & VAN NEST LLP

By: /s/ Robert A. Van Nest
ROBERT A. VAN NEST
CHRISTA M. ANDERSON
DANIEL PURCELL

Attorneys for Defendant
GOOGLE INC.